

**DEPARTMENT OF STATE REVENUE**  
**Information Bulletin #3**  
**Income Tax**  
**August 2007**  
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**DISCLAIMER:** Information Bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided in this Bulletin should only serve as a foundation for further investigation and study of the current law and procedures related to its subject matter.

**SUBJECT:** Payment of Indiana Estimated Tax by Individuals

**REFERENCES:** [IC 6-3-4-4.1](#); [IC 6-3.5-1.1-18](#); [IC 6-3.5-6-22](#); [IC 6-3.5-7-18](#)

**INTRODUCTION:**

Estimated income tax payments must be made by an individual who:

- (1) receives income from which Indiana adjusted gross income tax, county adjusted gross income tax, county option income tax, or county economic development income tax, is not properly withheld; and
- (2) has an annual income tax liability described under subdivision (1), above, that is \$1,000 or more.

Even if an individual does not meet these requirements, the individual may still make estimated payments to reduce the amount that will be due when the annual individual adjusted gross income tax return is filed.

**I. METHODS FOR PAYMENT OF ESTIMATED TAX**

Estimated Tax installment payments are due on April 15, June 15, Sept. 15, and Jan. 15 following the last month of the tax year. A person filing on a fiscal year rather than calendar year basis should adjust the due dates on the appropriate voucher for the fiscal year. If the due date falls on a national or state holiday, Saturday, or Sunday, payment is timely if it is postmarked by the day following the holiday or Sunday.

Estimated Tax installment payments may be made by one of the following methods: using a pre-printed estimated tax voucher which is issued by the Department on an annual basis to taxpayers with a history of paying estimated tax; obtaining from the Department or downloading from the Department's Web site ([www.in.gov/dor](http://www.in.gov/dor)) a paper Form IT-40ES tax voucher; or by paying estimated tax electronically at the Department's web site ([www.in.gov/dor](http://www.in.gov/dor)).

While an installment payment cannot be changed once it has been made, future payments can be adjusted to reflect a change in the annual estimated tax due. Future installment payments are determined by subtracting the amount of the previous payments from the total amount of estimated payments to be made.

Any installment payment received after Jan. 15 for the preceding tax year will be either returned to the taxpayer or credited against the taxpayer's liability for the following year.

**II. CALCULATION OF THE QUARTERLY ESTIMATED PAYMENT**

The following schedule should be used to determine the amount of estimated tax due:

A. Total Estimated Income for the Tax Year	A. _____
B. Total Exemptions x \$1,000 (plus \$1,500 per Qualifying Dependent for Tax Year)	B. _____
C. Amount Subject to Indiana Income Tax (Line A minus B)	C. _____
D. Amount of State Income Tax Due (Line C x .034)	D. _____
E. Amount of County Income Tax Due (Line C x County Tax Rate)	E. _____
F. Total Estimated Income Tax (Line D plus Line E)	F. _____
G. Estimated State and County Income Tax Withheld Plus Total of Other Credits	G. _____
H. Amount of Annual Estimated Tax Due (Line F minus Line G)	H. _____
I. Each Installment Amount Due (Line H divided by 4)	I. _____

### **III. PENALTIES**

A taxpayer is subject to penalty for underpayment of estimated tax if the total state and county taxes due after credits exceeds \$1,000. The taxpayer will not owe a penalty if each installment payment equals at least one-fourth of the required annual payment. The required annual payment is the lesser of:

- (1) 90 percent of the tax shown on the current year return;
- (2) 100 percent of the tax shown on the previous year return;
- (3) 110 percent of the tax shown on the previous year's tax return if the taxpayer is not a farmer or fisherman and the Indiana adjusted gross income shown on the previous year's joint return is more than \$150,000; or
- (4) 110 percent of the tax shown on the previous year's tax return if the taxpayer is not a farmer or fisherman and the Indiana adjusted gross income shown on the previous year's return is more than \$75,000 for a taxpayer who is either single or married and filing separately.

If the taxpayer is eligible for any of the exceptions to the penalty listed in (1), (2), (3), or (4) above, they must attach the Schedule IT-2210 to the individual income tax return showing that the exception has been met.

If a taxpayer's income is not received uniformly throughout the year, the taxpayer can avoid penalty if the tax is paid in an amount at least equal to the annualized income installment by the due date of the installment. Schedule IT-2210A should be used to compute the annualized income installment amount. This schedule is available upon request or at [www.in.gov/dor](http://www.in.gov/dor). If a penalty is imposed for underpayment of estimated tax, the penalty is 10 percent of the underpayment for that period.

### **IV. UNDERPAYMENT**

The underpayment of an installment is the difference between the payment required for the installment (or the annual income statement, if applicable) and the amount paid. If a payment is made after the installment due date, the payment is considered to be made in the following installment period.

### **V. AVOIDING PENALTY FOR THE FOURTH INSTALLMENT**

If a taxpayer files an annual individual adjusted gross income tax return and pays the entire tax due by Jan. 31, the taxpayer will not receive a penalty for the installment payment due Jan. 15. However, payment of the entire estimated tax liability or balance due with the fourth installment or with the filing of the return does not relieve the taxpayer from any penalty for failure to make prior estimated payments in a timely manner during the year.

### **VI. FARMERS AND FISHERMEN**

A penalty is not imposed if:

- (1) at least two-thirds of the taxpayer's annual gross income for the current year or preceding year is from farming or fishing;
- (2) the taxpayer files Form IT-40 or Form IT-40PNR; and
- (3) The taxpayer pays the entire tax due by March 1.

The taxpayer should attach Schedule IT-2210 to the income tax return and complete the portion of the return labeled "Farmers and Fishermen Only". If the farmer or fisherman does not file the return and pay the tax by March 1, the taxpayer should complete Schedule IT-2210 to determine if a penalty applies.

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John Eckart  
Commissioner

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